

EDUCATION IN CRISIS

The State Budget Crunch & Our Nation's Schools

**Prepared by the Democratic Staffs of the
U.S. Senate Committee on Health, Education, Labor, and Pensions and the
U.S. House of Representatives Committee on Education and the Workforce**

EDUCATION IN CRISIS: *THE STATE BUDGET CRUNCH & OUR NATION'S SCHOOLS*

Economic downturns often evoke images of worker layoffs and business bankruptcies. But as this report shows, the nation's schools face declining budgets, growing enrollments, and tough choices as they struggle to provide a good education for our schoolchildren in the midst of a troubled economy.

Throughout the country, state education budgets are facing cuts—an estimated \$11.3 billion nationally—and schools are taking drastic steps to make ends meet. They are beginning to lay off teachers, cut back on textbooks, cram more children into fewer classrooms, postpone school modernization, and eliminate teacher training.

Already, the impact of shrinking budgets can be seen in states like California, New York, and Florida. The news will only get worse as states try to restore balance to their budgets, which are running a collective \$25 billion deficit this year, and prepare next year's budgets under the worst fiscal conditions in a decade.

As millions of workers lose their jobs, the number of poor children in our schools grows. The 650,000 additional poor children next year will require special help and additional resources.

Behind each dollar withheld or cut from our nation's schools is a child who gets less attention in a crowded classroom or a teacher trying to keep up without adequate training.

At the same time, Congress and the White House are calling on schools to do better. Congress has nearly completed action on landmark legislation that will challenge schools to improve teaching and help all of the nation's children reach 21st Century standards in school.

School officials are struggling to achieve excellence on budgets that barely allow them to get by. In Florida, Manatee County schools are taking in nearly 4,000 students while cutting their budget by \$18 million. In Buffalo, New York, a \$28 million shortfall is forcing schools to fire 500 teachers and other staff.

Unless the federal government steps in quickly to fill the gaps, our children will fall through them. The continuing improvement of our nation's schools could well rest on the actions of Congress and the White House over the next few weeks.

KEY FINDINGS

- **State education cuts already total \$11.3 billion.** State education budgets have failed to keep pace with inflation and growing enrollments.

States cut \$10.5 billion from their education budgets in real terms between fiscal years 2001 and 2002 in the 47 states surveyed and the District of Columbia.

Since enacting those budgets, 11 states have been forced to cut an additional \$800 million from K-12 education.

- **Further education cuts are likely.**

State budget deficits already total \$25.5 billion for the current fiscal year, and the full toll of the September 11th attacks and recent economic downturn is not yet known.

Already, 7 state legislatures have called special sessions to address their budget crises.

States are preparing to write fiscal year 2003 budgets “under the harshest fiscal conditions in a decade,” according to the National Conference of State Legislatures.

- **The demands on our schools are growing, even as their budgets are cut.**

Due to the economic slowdown, the number of children living in poverty is expected to increase by 650,000 next year.

Congress is nearly complete with landmark education reform that will hold our schools accountable for achieving excellence. The goals of this legislation cannot be accomplished with diminished resources.

THE STATE OF STATE EDUCATION FUNDING

Real Reductions in State Education Funding

States have cut real funding for elementary and secondary education by \$11.3 billion over the last year, according to a Congressional survey of 48 state education budget officers. Seven state legislatures so far have been called into special sessions to consider still further budget cuts.

In fiscal year 2001, the 47 states surveyed and the District of Columbia spent approximately \$181 billion on elementary and secondary education. (In most states, fiscal year 2001 ran from July 1, 2000 to June 30, 2001.) State spending was 44% of total governmental K-12 funding (National Center for Education Statistics, *Digest of Education Statistics 2000*).

According to the Title I cost of education index published by the National Center of Education Statistics (NCES)—an arm of the United States Department of Education—state spending would have to grow to \$193 billion just to keep pace with inflation (NCES, *Projection of Education Statistics to 2010*).

NCES also estimates enrollment growth at 3.2% this year (NCES, *Digest of Education Statistics 2000*). As a result, the 47 states must spend \$200 billion simply to maintain current education services.

Unfortunately, state budgets are falling short. Before September 11, 2001, the 47 states surveyed budgeted only \$189 billion for elementary and secondary education funding—leaving states \$10.5 billion short of keeping pace with inflation and enrollment. These figures are presented in Table 1.

Making matters more difficult for local schools is that since 2002 budgets were originally passed, 11 states have cut back their school budgets by \$800 million. These cuts are listed in Table 2. Since last year, therefore, K-12 education spending has been cut by \$11.3 billion in real terms.

Florida Hit by Budget Crunch as Enrollments Skyrocket

Florida is facing a \$1.3 billion shortfall. Two weeks ago, the Florida legislature cut school funding by \$118 million. Governor Jeb Bush has called another special session to make \$1 billion in further cuts. The *Orlando Sentinel* wrote, “funding for elementary, middle, and high schools looks certain to take a bigger hit” (Nov. 12, 2001). Some lawmakers are suggesting another \$218 million in school cuts.

Florida schools expect enrollments to grow by 61,091 students next year. Maintaining current services for these new students would cost \$400 million.

In Orlando, class sizes may double at some schools. Some Orlando schools are eliminating remedial classes, after-school tutoring, and summer schools. In Manatee County, schools must cut \$18 million even as enrollment grows by 4,000 students.

“There is a hiring freeze statewide, and class sizes are increasing,” Wayne Blanton, executive director of the Florida School Boards Association, told the *Sentinel*. “Schools are slowing down the purchase of computers and slowing down the purchase of certain kinds of textbooks.”

TABLE 1. \$10.5 Billion of Cuts in State K-12 Education

(In Millions of Dollars. Figures May Not Add Due to Rounding.)

<u>State</u>	<u>FY 2001</u>	<u>Needed in FY 2002</u>	<u>Initially Enacted FY 2002</u>	<u>Real Increase</u>
Alabama	\$2,640	\$2,910	\$2,730	-\$180
Alaska	\$707	779	\$734	-\$45
Arizona	\$2,500	\$2,750	\$3,000	\$250
Arkansas	\$1,700	\$1,870	\$1,740	-\$130
California	\$27,600	\$30,400	\$29,200	-\$1,200
Colorado	\$2,210	\$2,440	\$2,480	\$40
Connecticut	\$1,900	\$2,090	\$2,020	-\$70
Delaware	\$690	\$760	\$730	-\$30
District of Columbia	\$641	\$706	\$658	-\$48
Florida	\$9,000	\$9,910	\$9,200	-\$710
Georgia	\$5,800	\$6,380	\$5,960	-\$430
Hawaii	\$1,118	\$1,231	\$1,276	\$45
Idaho	\$870	\$960	\$930	-\$30
Illinois	\$5,900	\$6,500	\$6,200	-\$300
Indiana	\$4,010	\$4,420	\$4,210	-\$210
Iowa	\$1,750	\$1,928	\$1,800	-\$128
Kansas	\$2,310	\$2,540	\$2,350	-\$190
Kentucky	\$2,800	\$3,080	\$2,860	-\$220
Maine	\$660	\$730	\$700	-\$30
Maryland	\$2,970	\$3,270	\$3,150	-\$120
Massachusetts	\$3,770	\$4,152	Budget Pending	--
Michigan	\$10,500	\$11,560	\$11,040	-\$520
Minnesota	\$4,230	\$4,660	\$4,300	-\$360
Mississippi	\$1,800	\$1,990	\$1,780	-\$210
Missouri	\$3,290	\$3,630	\$3,390	-\$230
Montana	\$510	\$560	\$500	-\$60
Nebraska	\$720	\$800	\$820	\$30
Nevada	\$690	\$760	\$730	-\$30
New Jersey	\$6,900	\$7,600	\$7,500	-\$100
New Mexico	\$1,650	\$1,820	\$1,800	-\$20
New York	\$13,690	\$15,080	\$14,370	-\$710
North Carolina	\$5,880	\$6,480	\$5,920	-\$560
North Dakota	\$320	\$350	\$340	-\$10
Ohio	\$6,150	\$6,770	\$6,610	-\$160
Oklahoma	\$1,900	\$2,090	\$2,000	-\$90
Oregon	\$2,540	\$2,800	\$2,650	-\$150
Pennsylvania	\$6,430	\$7,090	\$6,700	-\$380
Rhode Island	\$570	\$630	\$630	\$10
South Carolina	\$2,370	\$2,610	\$2,380	-\$230
South Dakota	\$300	\$330	\$310	-\$20
Tennessee	\$2,570	\$2,830	\$2,630	-\$190
Texas	\$12,150	\$13,380	\$11,780	-\$1,600
Utah	\$1,700	\$1,870	\$1,800	-\$70
Vermont	\$1,020	\$1,120	\$1,070	-\$60
Virginia	\$3,940	\$4,340	\$4,030	-\$320
Washington	\$5,060	\$5,580	\$5,230	-\$340
West Virginia	\$1,420	\$1,560	\$1,460	-\$100
Wisconsin	\$4,960	\$5,470	\$5,110	-\$350
TOTAL	\$181,180	\$199,573	\$188,995	-\$10,538

SOURCE: Committee staff research. Data not available for Louisiana, New Hampshire, and Wyoming. Assumes inflationary increase of 6.74%, based on the National Center for Education Statistics' Title I cost-of-education index (in *Projections of Education Statistics until 2010*), and enrollment growth of 3.19% based on NCES's enrollment projections (in *Digest of Education Statistics 2000*). NOTES: Figures reflect FY 2002 budgets as passed, and do not include subsequent rescissions. Similar estimates based on the Consumer Price Index, rather than the cost of education index, found a national shortfall of \$2.9 billion.

More School Cuts May Be Coming this Year

States have already cut education spending in real terms, and further cuts are likely this year. In California alone, the governor has already proposed \$843 million in spending cuts.

Many states saw declining revenue even before the terrorist attacks on September 11th. Since then, a drop in retail activity has reduced sales tax revenues. Layoffs have led to declining personal income tax revenues. Corporate income taxes have fallen.

**TABLE 2. \$800 MILLION IN
STATE EDUCATION CUTS**

(In Millions of Dollars)

<u>State</u>	<u>Amount Cut</u>
Alabama	\$167
Connecticut	\$3
Florida	\$118
Idaho	\$19
Iowa	\$63
Maryland	\$47
Michigan	\$336
Missouri	\$3
North Carolina	\$27
Puerto Rico	\$66
Tennessee	\$15
Vermont	\$1
TOTAL	\$802

When revenues fall, budgets must be cut. Forty-nine states are required by law to balance their budget. Many of them must raise taxes or cut spending in the middle of the year, if necessary to maintain a balanced budget (Center on Policy and Budget Priorities, *House Stimulus Package Would Worsen State Fiscal Conditions*, October 22, 2001).

State revenues in July, August, and September 2001 were 3.4% lower than revenues in those states last year, according to the Rockefeller Institute at the State University of New York (*Big Drop in State Revenue*, November 7, 2001.) The drop is the first in over a decade.

It will be difficult, if not impossible, for many states to avoid cutting education. Elementary and secondary education represents one-third of state and local budgets, according to the U.S. Department of Education (*Digest of Education Statistics 2000*).

The National Conference of State Legislatures found that 44 states have seen revenues fall below projections (*State Fiscal Outlook for FY 2002: October Update*, Oct. 31, 2001). The report notes that “the vast majority” of state budget analysts describes the outlook as “pretty bad,” “bleak,” “dire,” or “grim.” It says,

“Across the nation, forecasters are reporting declines in most major tax sources, especially the sales and use tax and personal and corporate income taxes. As more collection figures become available—especially post-September 11 data—the revenue picture

Seven State Legislatures in Special Sessions to Balance their Budgets

Arizona
Alabama
Connecticut
Florida
Hawaii
Iowa
Nebraska

is expected to get worse. Many states are waiting to see the effects of declining consumer confidence, widespread layoffs and corporate downsizing on state coffers. At the same time, they are keeping a close eye on spending, notably caseload-driven programs like Medicaid and welfare. There is growing concern that the economic downturn will lead to more people seeking state assistance.”

An analysis of 30 state budgets found that shortfalls in the current fiscal year already equal at least \$25.5 billion. The analysis is in Table 3. The \$25.5 billion figure can be expected to grow as the results of the September 11th attack become clearer.

TABLE 3. State Budgets \$25 Billion Short in 2002
(In Millions of Dollars)

<u>State</u>	<u>Estimated Shortfall</u>
Alabama	\$78
Arkansas	\$20
California	\$4,519
Colorado	\$385
Connecticut	\$88
Florida	\$1,400
Georgia	\$600
Idaho	\$36
Illinois	\$300
Indiana	\$450
Iowa	\$108
Kentucky	\$429
Maine	\$30
Maryland	\$124
Massachusetts	\$1,100
Michigan	\$1,000
Minnesota	\$99
Mississippi	\$80
Missouri	\$324
Nebraska	\$57
New Jersey	\$1,500
New York	\$9,000
Ohio	\$1,500
Oregon	\$208
Rhode Island	\$80
South Carolina	\$500
Tennessee	\$100
Utah	\$177
Vermont	\$35
Washington	\$200
TOTAL	\$25,527

SOURCES: California: *Los Angeles Times*, October 25, 2001. New York, Arizona, New Jersey, and Michigan: Center on Policy and Budget Priorities, *House Stimulus Package Would Worsen State Fiscal Conditions*, October 22, 2001. All others: National Association of State Budget Officers, *State Budgets Update*, October 31, 2001.

Already, at least seven states are convening special sessions to address budget problems. In Alabama, school leaders have been warned to prepare for a possible cut of up to 4 percent. In Florida, the state legislature approved a plan to cut education spending by \$118 million, and is expected to cut more. Other states holding special sessions are Arizona, Connecticut, Hawaii, Iowa, and Nebraska, while special sessions are possible in Louisiana and Oregon.

Schools Are Likely to Lose More Ground Next Year

Just to tread water, our schools will need a 5% increase in their budgets next school year. The Office of Management and Budget projects a 2.7% rate of inflation in 2002. The U.S. Department of Education

expects enrollment to grow by 2.5% over the next year. Maintaining per-pupil expenditures, therefore, will require a 5.3% budget increase. Any progress in increasing

our national investment in education will require increases above 5.3%.

It is difficult to know what states' fiscal conditions will be next year. However, many economists believe we are now in a recession. Poor economic conditions are unlikely to improve by January, when states will begin to develop their 2003 budgets, and may persist well into next year. As a result, the prognosis for increases in education funding is not favorable.

In California, analysts project a \$12.4 billion shortfall next year, and "potentially even more if the recovery we are assuming for next spring is delayed" (Legislative Analyst's Office, *California's Fiscal Outlook*, November 2001).

As the National Conference of State Legislatures note, "fiscal conditions are expected to get worse before they get better," and FY 2003 budgets will be enacted "under the harshest fiscal conditions in a decade" (*State Fiscal Outlook for FY 2002: October Update*, October 31, 2001).

by 12% this year, the largest decline since World War II. As a result, state expects a \$4.5 billion budget shortfall this year and a \$12.4 billion shortfall next year.

Governor Gray Davis has proposed \$843 million in education cuts, including after-school programs and initiatives to help low-performing schools.

Talk has begun of suspending Proposition 98, which guarantees 40% of the state budget for K-12 schools. "Nothing's sacred," Assemblywoman Jenny Oropeza, who is expected to head the Assembly Budget Committee, told the *Los Angeles Times* (Oct 26, 2001).

"It took years to recover from the budget deficits in the early '90s," said Brett McFadden of the Association of California School Administrators. "If we have to go through that again, that is going to create lasting damage to the entire system" (*San Francisco Chronicle*, Nov. 15, 2001).

California's \$17 Billion Challenge

California's revenues are expected to fall

GROWING CHILD POVERTY

Next fall, the number of children living in poverty will increase by an estimated 650,000. In all likelihood, children forced into poverty by the 2001-2002 recession will be concentrated in particular geographic areas hit hard by layoffs and a troubled economy.

This cohort of newly poor children will present a double challenge to the nation's schools: They will have heightened educational needs associated with both their newly disadvantaged family backgrounds and with their newly disadvantaged surrounding communities. Over the last 10 years, a wealth of educational research has established that poor children living in poor communities are among the most at-risk of educational failure; they are “doubly disadvantaged” (See, e.g., U.S. Department of Education, *Reinventing Chapter I*, 1994). In fact, community poverty is so correlated with academic need that non-poor children living in poor areas achieve at lower academic levels than do poor children living in non-poor areas (U.S. Department of Education, *Prospects: The Congressionally Mandated Study of Educational Growth*).

Historically, economic downturns that produce significant job losses soon produce corresponding increases in child poverty. In an economic recession, as unemployment benefits expire, laid-off workers move into lower-wage—and often minimum-wage—jobs or onto welfare rolls. Their family income drops to below Census poverty levels, and child poverty correspondingly increases. For this reason, the poverty rate is viewed by economists as a “lagging economic indicator” (U.S. Census Bureau, *Poverty in the United States: 2000*).

In the years after the most recent recession of the early 1990s, the child poverty rate reached a peak. In 1992, there were approximately 13.65 million school-age children in poverty. In 1991, however, during the depths of the recession, there were one million fewer children in poverty (U.S. Census Bureau, *Poverty in the United States: 2000*). Child poverty grew by 6.3% in the year following the worst of the early 1990s recession.

Unemployment data from the 1991 recession bears a striking similarity to recently released 2001 unemployment data.

New York Struggles with Downturn, Cost of Attacks

New York schools will suffer lasting damage from the terrorist attacks. Even before September 11th, the New York state legislature approved a bare-bones hike in its school budget. An additional \$1.4 billion school aid package was expected in October, but—due to falling revenues and the cost of the attacks (estimated at \$9 billion or more)—the legislature approved only a \$500 million increase. *Newsday* called the increase “meager” (October 26, 2001).

The New York City Board of Education faces a \$400 million gap this academic year. The city is cutting \$115 million, or 2.5%, from its education budget. Reading and after-school program funding was cut, as were middle-school sports.

New York confronts a statewide problem. In Buffalo, the school district expects a \$28 million budget shortfall. It will be forced to fire 500 staff and eliminate overtime pay, field trips, consultants, and equipment purchases. In Yonkers, a \$57 million shortfall has led to job cuts for teachers, school safety staff, custodians, and administrators. Yonkers is also eliminating athletic programs, pay raises, and overtime.

Between 1990 and 1991, the civilian, non-institutional unemployment rate increased from 5.6% to 6.8%—a 1.2 percentage point increase (Bureau of Labor Statistics, October 2001). Between January 2001 and November 2001, the civilian, non-institutional unemployment rate increased from 4.2% to 5.4%—again, a 1.2 percentage point increase (Bureau of Labor Statistics, *Current Population Survey*, October 2001). One can expect therefore that as in 1992, a year from now the school age child poverty rate will again increase by approximately 6.3%.

According to the Census Bureau, there are 10.3 million poor school age children today (*Small Area and Income Poverty Estimates*, 2001). The number of school-age children in poverty thus is projected to rise to 10.95 million next year—650,000 more children in poverty.

THE FEDERAL EDUCATION BUDGET

In the next few weeks, Congress and the White House will decide the federal education budget for the coming academic year. In March of 2001, President Bush sent an official budget request for \$1.9 billion in additional elementary and secondary education federal spending. The President's budget included the smallest increase for education in six years, and proposed only one-thirteenth as much spending on education as it did for tax cuts for the top 1% of taxpayers.

In October of 2001, the United States House of Representatives and United States Senate each passed federal elementary and secondary education budgets for fiscal year 2002 that provide an increase of approximately \$5 billion (or 19%) in federal school funding. Combined with the proposals to increase federal higher education funding by approximately \$2 billion and absent any additional commitment of resources, the federal education budget increase for next academic year will total \$6.7 billion.

This academic year, the federal government will contribute approximately \$25.3 billion toward national elementary and secondary education spending—approximately 7% of state and local K-12 school funding.

The largest single federal K-12 education initiative is the Title I program for disadvantaged children. Title I, funded at \$8.8 billion in fiscal 2001, fully serves 3.5 million needy children, 34% of those eligible. It provides 75% of all national compensatory education funding.

Pending Congressional school budgets for next academic year will increase funding for the Title I program by \$1.4 to \$1.7 billion. Those funds will serve fully approximately 556,000 to 676,000 more disadvantaged children in poverty next year. But because the number of children living in poverty is expected to rise by 650,000, the funding increase will only allow Title I to keep pace with poverty instead of reducing the number of eligible children denied services.

When considered in light of state education funding cuts this year, the worsening fiscal picture for states next academic year, and growing child poverty, the federal education budget commitment must more than double in order to respond fully to the needs of America's children.

THE COST OF BUDGET CUTS FOR OUR CHILDREN

Congress has nearly completed its overhaul of federal K-12 education programs. The education reforms included aim high by expecting all children to meet challenging standards and holding schools accountable when they fail. But if the federal government is going to hold states and schools accountable for student performance, it must also provide some of the resources needed to meet new federal goals.

Schools will find it difficult to reach excellence while facing an \$11 billion cut in state funding. These resources could allow schools to hire over 150,000 new teachers to reduce class sizes and counselors to reduce school violence and increase college-going rates. They could modernize 11,000 schools or build more than 1,000 new schools. Or they could make a real difference in raising teacher salaries and strengthening teacher professional development.

Education reform without adequate resources is an empty promise. We now know what works in education: well-prepared teachers with ongoing professional training opportunities; small class sizes; modern classrooms; after-school and summer help programs for extra help; and support services for troubled students. And these investments require more resources.

To achieve the results we all want, our schools need both greater accountability and more resources. Failing schools cannot be turned around with declining resources.

APPENDIX: STATE-BY-STATE SUMMARY OF EDUCATION BUDGETS

November 2001

- Eleven states have cut their K-12 education budget for the current academic year.
- Seven states are considering cuts to their K-12 budget for the current academic year.
- Seven state legislatures are in, or are about to convene, special sessions to consider further cuts to their K-12 education budget for the current academic year.

SEVERELY IMPACTED STATES

Alabama: For the second year in a row, Alabama may have to make mid-year cuts in aid to education. Local school leaders have been warned to prepare for a cut of up to \$109 million (4%). Governor Siegelman has said he will propose corporate income-tax charges to raise at least some of the \$109 million the state needs to avoid education cuts. A special session of the legislature is planned. In February, Alabama officials announced that their \$2.7 billion state budget for K-12 education would have to be reduced by 6.2%, or \$167 million.

Arizona: Confronting a two-year deficit of up to \$1.6 billion, the legislature is slated to hold a special session next month to balance the budget. Cuts to the \$5.5 billion biennial school budget are under consideration.

Arkansas: A revenue forecast expected next month will help signal whether the current budget is out of balance. Under a state law that prohibits deficit spending, K-12 programs will have to absorb 37% of any overall budget cuts.

California: Facing a projected budget deficit of \$8 billion to \$14 billion over the next two fiscal years, Governor Davis has asked the California Department of Education to submit a 15% reduction in spending for the 2002-2003 academic year.

- **Saddleback Valley Unified School District, Mission Valley, California:** The Saddleback Valley Unified School District is cutting \$7 million from its budget over the next three years. For the current school year, Saddleback has cut the budget of all district schools by 5% and ended its district-wide math tutorial program. In addition, \$1.9 million was cut this past summer, eliminating administrative staff, maintenance, education technology support and services, and campus supervisor positions.

Connecticut: Governor Rowland has already reduced the state education budget for the current academic year by \$2.7 million. The state legislature will go into special session in November to address budget problems related to the September 11th attacks and the slowing economy.

Florida: In the face of a projected shortfall of \$1.3 billion, the state Senate approved a plan that would cut school funding by \$118 million. Most school districts have left vacancies unfilled, and some have already laid-off staff. Florida is expecting 50,000 to 60,000 new students in the 2001-2002 school year. Further layoffs are expected in all but the wealthiest districts.

- **Manatee County:** The fastest-growing district in southwest Florida, Manatee is expecting 3,800 new students in 2001-2002. Manatee is preparing for a \$18.5 million budget cut.
- **Orlando:** The Osceola School District has asked principals to prepare for 1% reductions in their annual budgets. At the Denn John Middle school, after-school tutoring has been cancelled. Thacker Avenue Elementary School has cut eight instructional positions, including one for a special education teacher and a resource specialist.
- **Tampa:** Pasco County Schools is cutting 10 district-level administrative positions to deal with state education spending reductions. Tampa has proposed cutting textbook purchases, after-school learning, and sports programs.
- **Sarasota:** Sarasota County has cut \$34 million the last three fiscal years and is expected to cut another \$28 million at the beginning of next year.

Georgia: Governor Barnes has asked for an across-the-board budget cut of 2.5%. It is estimated that the fiscal year 2003 budget will be cut by 5%.

Hawaii: Legislators, who opened a special session on October 22nd, asked Governor Cayetano to cut 5% from the budgets of all departments.

Idaho: The 2002 state budget for education was cut by \$19 million or 1.5%. Among the reductions is \$224,000 from high school vocational training programs.

Indiana: Indiana is facing a \$1 billion deficit for the current fiscal year. The shortfall is expected to be as bad if not worse in fiscal year 2003. The state's elected schools chief is aiming to match the 7% cut being made in agencies under the Governor's control.

Iowa: The Governor has imposed a 3.5% across-the-board cut on all state programs, including a \$63 million cut to K-12 education. Iowa finished the last fiscal year of with a \$59 million deficit. Estimates continue to show declining revenues for this fiscal year. The accumulated fiscal year 2001 and 2002 shortfall is now approximately \$200 million. The legislature began a special session November 8 to address the state's worsening fiscal status.

Maryland: This month, Governor Glendening announced a \$205 million cut in the current year's \$21.2 billion state budget due to higher security costs. Education cuts include a hiring freeze, a 1.5% across-the-board cut applied to all state agencies, and delayed capital projects.

Michigan: Michigan has seen significant declines in revenue. To address the revenue shortfall, Michigan will cut the general fund by \$540 million (5.6%) and the school fund by \$336 million (2.9%). Budget cuts may force the cancellation of a plan to raise the minimum state grant to schools from \$1,500 to \$6,700. Cuts would be in addition to Governor Engler's veto of all K-12 funding for 2002-2003 that is not required by law. The state legislature has cut \$500 million for summer school, reading improvement and other programs.

- **Grand Rapids:** In order to make up for an \$18 million deficit in their \$238 million school budget, the Grand Rapids school district, which has 26,000 students, has closed

two schools, eliminated busing for high school students, and made additional budget cuts to its remaining 70 campuses.

Minnesota: K-12 funding increased only 2.5% this year while inflation increased 4%. This effective cut led to 1,500 teachers layoffs. To compensate for losses in state funding, 181 districts are seeking \$240 million from voters in their districts. In Anoka school district, the average secondary school class size increased to 40 after 250 teachers (10% of the workforce) were laid off. The South Washington school district projects a \$10.3 million deficit for the 2002-2003 academic year.

Missouri: \$3.1 million was cut from the state's education department, eliminating plans to test all 5th graders in fine arts in the 2002 school year. State leaders have expressed concern about education in the coming year and their ability to pay for the \$200 million increase in basic state aid to schools scheduled for fiscal year 2003.

Nebraska: The impact of the terrorist attacks deepened an expected \$57 million revenue shortfall to \$220 million, leaving a 4% hole in the budget. Last week, legislators began meeting in a special session to trim the budget. Public schools, which receive 30% of state spending, are not exempt from cuts.

New York: The State of New York and all its local governments are facing fiscal stress from the terrorist attack on the World Trade Center and the recent economic downturn. Before September 11th, the New York State legislature had approved a bare-bones hike in the school operating budget. Following the attack of September 11th, plans for a supplemental budget for the current school year were scaled back. According to the New York State School Boards Association, 31% of school districts indicate that they will be forced to borrow operating funds. 70% of school districts indicate that they have tapped "rainy day" funds.

- **New York City Schools:** The City of New York has estimated initial revenue loss directly attributable to the World Trade Center disaster at \$1 billion. The Board of Education faces an estimated \$400 million shortfall due to state aid and city cuts. The city has ordered the Board of Education to cut its budget by 2.5% or \$115 million for the current academic year.
- **Buffalo City Schools:** The Buffalo City School District expects a shortfall of \$28 million. The district has informed staff that it will eliminate 500 jobs. Other short-term implications include a hiring freeze, elimination of overtime, field trips, consultants, equipment purchases, and clerical or teacher aide substitutes.
- **Yonkers City Schools:** The Yonkers City School District expects a shortfall of \$57 million. The Mayor recently reduced the city budget by \$50 million due to a \$60 million state aid shortfall. Implications so far have included cutting jobs for teachers, school safety staff, custodians, and administrators, as well as the elimination of athletic programs, raises, and overtime. Spending on materials, supplies and contractual agreements have been reduced.
- **Rochester City Schools:** The Rochester City School District expects a state aid shortfall of \$21.7 million. The implications of revenue gap include: reduced funding for field

trips, replacement textbooks, the arts and scaled back plans for improvements to cafeterias and athletic fields.

- **Syracuse City Schools:** The Syracuse City School District expects a shortfall of \$8 million.

North Carolina: Governor Easley directed agencies to identify 4% in cuts, because of fiscal year 2002 further revenue shortfalls. K-12 education represents roughly 43% of the overall budget. The vast majority—94%—of the education funding is devoted to teacher salaries. Cuts therefore will mean reduced salaries and benefits to teachers and increased class size. North Carolina's recently passed a fiscal year 02 budget cut of \$4 million from professional development for teachers and \$23 million for purchase of new buses. There will be no new technology funding this year, although schools usually see a \$10 million increase each year. The Governor and state legislature have approved a half-cent hike in the sales tax to help fill the budget gap.

Ohio: There is an estimated \$1.5 billion budget shortfall this fiscal year. Compounding matters for the state, a pending court order now under appeal directs the state to add \$1.2 billion to its schools' budget.

Puerto Rico: A \$600 million deficit has forced a 4.2% rescission of all Commonwealth agencies. The \$66 million cut from the Department of Education came from programs to address a severe dropout problem and assist schools serving public housing projects.

South Carolina: Because state revenues are running behind, South Carolina faces a \$500 million shortfall in its current fiscal year budget. Under consideration in response to the shortfall is a 4% across-the-board cut to state agency budgets. School funds would be reduced by \$95 million.

Tennessee: Even before September 11th, state officials were looking to cut the budget the legislature had adopted over Governor Sundquist's veto in August. So far, the education department has cut \$15 million from its \$2.6 billion budget, including 16 jobs and 29% of its operating expenses, discretionary programs, 50% of the money allotted for low-performing schools, and test-development aid. Some school districts are considering eliminating athletic programs and cutting back on art and music classes. Tennessee's budget problems have prompted consideration of a new income tax.

- **Shelby County Schools, Memphis, Tennessee:** Shelby County Schools is a 46,000 student school district that is facing budget cuts. County officials have already voted to help fill in a \$29 million gap in the district's \$261 million budget by raising property taxes and increasing the local fee for vehicle registration. The district still had to make \$8.1 million worth of cuts and did so by cutting back art, music, and physical education programs. They also eliminated administrative and support positions and cut education technology funds.

Vermont: With revenues down across-the-board, Governor Dean has told the Education Department to cut 4.2%, about \$600,000, from its fiscal year 2002 budget. The agency so far has instituted a hiring freeze and ceased out-of-state travel. It has rescinded a new grant for teacher

quality improvement. The Department of Education has already cut its budget twice at the request of the Governor, the first cut at 4.8% (\$589,000) of the budget, and the second cut at 1.8% (\$240,000).

MODERATELY AND NOT IMPACTED

Alaska: The state is in good fiscal shape and plans no cuts in its \$7.4 billion state budget. Price hikes in oil have helped buoy tax collections in the state.

Colorado: Colorado's estimated shortfall this year is \$385 million. The state has already taken steps to cut spending, but K-12 education appears likely to be spared thanks to a 2000 referendum that required increased spending on public schools.

Delaware: State officials asked a special budget committee to address lower than expected revenues. So far, officials have not called for cuts in this year's \$730 million schools budget.

Guam: For fiscal year 2002, the Guam Department of Education is operating with a skeletal budget of \$138 million, of which \$133 million is required for personnel salaries alone. This is a before inflation decrease of \$16 million from the fiscal year 2001 budget. Guam was struck by a devastating 7.0 magnitude earthquake on October 13, 2001. Two southern middle schools were hit the hardest, with a significant number of classrooms being condemned.

Illinois: Lawmakers plan to cut the state budget next month during their annual fall "veto" session to cope with an expected shortfall of \$300 million. It is not expected that the \$6.22 billion K-12 education budget will be cut, but state education officials are voluntarily tightening their belts to avoid cuts by taking such steps as restricting travel, workshops, and hiring.

Kansas: Lawmakers have not reduced this year's \$2.4 billion budget for K-12 education. To date, legislators say they are committed to preserving fiscal year 2002 funding.

Kentucky: Governor Patton is expected to make education cuts this year since the all "rainy day" funds have already been used and more rainy day funding will not be available until January 2002. Although they are now forecasting a \$429 million shortfall in fiscal 2002 revenues, state leaders are planning no cuts to the education budget. The state will use any excess property tax proceeds to balance the budget this year, rather than pass any surplus on to districts.

Louisiana: At the moment, the state is not facing budget problems.

Maine: With revenues running well behind projections, Governor King has ordered spending cuts that exempt general purpose aid to schools, but other parts to public and private education are subject to the Governor's order directing agencies to freeze urgent funds and reduce other expenses by 2%.

Massachusetts: Still lacking a budget for the fiscal year that began in July 2001, state officials are expecting lawmakers to reduce acting Governor Swift's proposed \$22.6 billion spending plan by some \$1 billion. Education is not expected to be seriously affected.

Mississippi: Governor Ronnie Musgrove may need to issue a budget-cutting directive if figures expected this week show revenues falling short by more than 2%, officials say. If cuts are made in the current budget, K-12 education may take less of a hit than other agencies based on past pledges by policymakers to spare schools.

Montana: Officials have no plans to cut the K-12 education budget at this time.

Nevada: As they watch the economic downturn play out, state leaders have yet to decide whether to cut the biennial education budget that ends in 2003. But some one-time appropriations made this year are being put on hold including money for teacher pay raises, districts health insurance and utility costs, and school technology.

New Hampshire: New Hampshire is not currently facing a budget crisis in education. They budget two years out and have a unique budget system for education. The state is almost entirely dependent upon local property taxes for education, with some redistribution between locals.

New Mexico: No changes are expected in the budget for fiscal 2001-02, with the possible exception of a reduction in capital outlay funds for schools. At this time last year, new funding for all programs was at \$400 million—of which \$150 went to education. This year, there is only \$37 million available in new funding for all programs.

North Dakota: Revenues are down slightly, but not enough to precipitate cuts. The biennial K-16 schools budget of \$855 million has been left intact thus far.

Oklahoma: Even though revenue projections are below forecasts, state leaders are not planning to cut this year's budget. Education represents 40% of the state budget. If revenues decrease further, education budget cuts will be inevitable. The state ranks among the bottom 10 in teacher salaries.

Oregon: State education officials have yet to say how they will respond to a directive from the Governor requiring all agencies to draw up new proposed budgets to close a \$300 million revenue shortfall in the fiscal 2002-03 biennium. Among programs in line for possible reductions is Governor John Kitzhaber's newly approved \$220 million School Improvement Fund for boosting early reading skills.

Pennsylvania: Former Governor Tom Ridge froze \$200 million in state spending after first quarter revenue came in 2.9% below estimates. The freeze includes money appropriated for school district demonstration projects, science education, and school technology.

Rhode Island: With the state expecting a \$80 million budget shortfall, the Senate Finance Chairman has asked departments and agencies for budget data and ideas to cut costs.

South Dakota: Neither Governor Janklow nor state legislators have publicly discussed the possibility of budget cuts for this year. If revenue shortfalls arise, two reserve funds could be tapped.

Texas: Texas educational programs are not yet experiencing cuts in education, because the state budget was allocated in August of this year. They do not expect downturns until possibly next

year or in following years. Most state budget revenues are based on property values, which state officials believe will be maintained. Because sales tax revenue is being affected, however, some new initiatives such as mandatory kindergarten are expected to be delayed.

Utah: By mid-October, the state was running \$177 million in the red, prompting Governor Leavitt to call for tapping half of the state's \$120 million rainy-day fund.

Virginia: Governor Gilmore directed all state agencies, including the Education Department, to cut their budgets for the current fiscal year. Education officials are not releasing details about the exact amount trimmed from their biennial budget that ends next year, but say state jobs and school aid were spared. Some analysts estimate a \$500 million revenue shortfall.

Washington: Facing a large hole in this year's budget, the legislature is due to start work in January on a supplement to the two-year spending plan that took effect in July. Governor Locke recently proposed reductions of 15% for most large state agencies, except education.

West Virginia: No cuts are on the horizon, either for the \$2.8 billion general revenue budget for fiscal year 2001-02 or for the \$1.5 billion spending plan for schools.

Wisconsin: Lawmakers are projecting a \$1 billion budget deficit over the next biennium, but so far the state has not cut funding for K-12 education. Governor McCallum did use his line item veto power more than 300 times before signing the two-year budget in August to save \$63 million, more than half of which came from education initiatives.

Wyoming: In contrast to many other states, Wyoming has an estimated \$158 million revenue surplus.